

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Solon Township	County Kent
Audit Date 3/31/05	Opinion Date 6/23/05	Date Accountant Report Submitted to State: 10/27/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Hungerford, Aldrin, Nichols & Carter, PC			
Street Address 2910 Lucerne Drive SE	City Grand Rapids	State MI	ZIP 49546
Accountant Signature <i>Hungerford, Aldrin, Nichols & Carter, P.C.</i>		Date 10/27/05	

SOLON TOWNSHIP
Kent County, Michigan

Comprehensive Annual Financial Report

For the year ended March 31, 2005

SOLON TOWNSHIP
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For the year ended March 31, 2005

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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.

C P A s A N D C O N S U L T A N T S

INDEPENDENT AUDITOR'S REPORT

June 23, 2005

The Township Board
Solon Township
Kent County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major funds and the aggregate remaining fund information of Solon Township (the "Township") as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the elected officials and management of the Township. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major funds and the aggregate remaining fund information of Solon Township as of March 31, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Solon Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Alden, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOLON TOWNSHIP
Management's Discussion and Analysis
March 31, 2005

As management of the Solon Township ("the Township"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2005. We encourage readers to consider the information presented here in conjunction with the Township's financial statements, which immediately follow this section.

Financial Highlights

- The Township's net assets increased by \$64,119 (or 6.7 percent).
- Total expenses of the Township's programs were \$611,821.
- Total revenues, including all program and general revenues, were \$675,940.
- At the close of the current year, the Township's governmental funds reported combined ending fund balances of \$566,917, an increase of \$21,783 over the prior year.
- At the end of the current year, the unreserved/undesignated fund balance for the General Fund was \$527,029, or 80 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected property taxes and earned but uncollected sewer usage fees and special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, roads and parks. The Township has no business-type activities.

The government-wide financial statements can be found on pages 10-11 of this report.

SOLON TOWNSHIP
Management's Discussion and Analysis
March 31, 2005

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances for the General Fund and Fire Fund, each of which are considered to be major funds. The basic governmental fund financial statements can be found on pages 12-18 of this report.

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Fiduciary funds provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Township's own programs. The accounting used for fiduciary funds is like that used for proprietary funds.

Notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 20-29 of this report.

Government –Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Solon Township, assets exceeded liabilities by \$1,015,455 at the close of the fiscal year.

A substantial portion of the Township's net assets, \$448,538 (44 percent), reflects its investment in capital assets (e.g. land, buildings, equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

SOLON TOWNSHIP
Management's Discussion and Analysis
March 31, 2005

The Statement of Net Assets provides financial information on the Township as a whole as of March 31, 2005.

	Governmental Activities
Assets	
Current assets	\$ 626,442
Capital assets	448,538
	<hr/>
Total Assets	1,074,980
	<hr/>
Liabilities	59,525
	<hr/>
Net Assets	
Invested in capital assets	448,538
Unrestricted	566,917
	<hr/>
Total Net Assets	\$ 1,015,455
	<hr/>

The Statement of Activities presents changes in net assets from operating results for the year ended March 31, 2005:

	Governmental Activities
Program Revenues	
Charges for services	\$ 143,312
Capital grants	53,980
General Revenues	
Property taxes	137,108
State/intergovernmental revenue	327,378
Interest earnings	10,949
Other	3,213
	<hr/>
Total Revenues	675,940
	<hr/>
Expenses	
General government	260,545
Public safety	245,796
Public works	11,051
Recreational and cultural	38,775
Other township	55,654
	<hr/>
Total Expenses	611,821
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Increase in net assets	64,119
Net Assets - Beginning of Year	951,336
	<hr/>
Net Assets - End of Year	\$ 1,015,455
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SOLON TOWNSHIP
Management's Discussion and Analysis
March 31, 2005

Governmental activities increased the Township's net assets by \$64,119. Key elements of this increase are as follows:

- Property taxes increased by \$12,639 (10 percent). This increase is a product of new construction in the Township and increased valuations on existing properties.
- Licenses and permits increased by \$9,901 (11 percent), reflecting growth in new construction projects in the Township.
- Capital asset purchases of \$68,924 for fire and voting equipment funded by grant proceeds added to the net assets of the Township.

Financial Analysis of the Township's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$566,917, an increase of \$21,783 in comparison with the prior year. 100 percent of this total amount constitutes unreserved fund balance, which is available for spending at the Township's discretion.

Solon Township's funds are described as follows:

Major Funds

The *General Fund* is our primary operating fund. The General Fund had total revenues of \$675,421, total expenditures of \$654,157 (including \$68,924 for new voting and fire equipment) and \$5,000 in transfers to the Township Fire Fund. It ended the year with a fund balance of \$527,029, up from \$510,675 at March 31, 2004.

The *Fire Fund* receives General Fund contributions and interest earnings in order to set aside monies for future fire vehicle purchases. The Fund had transfers in of \$5,000 and interest earnings of \$519. It ended the year with a fund balance of \$39,888, up from \$34,369 at March 31, 2004.

General Fund Budgetary Highlights

Over the course of the year, the Township revised the annual operating budget once at year-end to comply with Michigan Department of Treasury guidelines. The budget amendment was made to reflect the transfer to the Township Fire Special Revenue Fund.

SOLON TOWNSHIP
Management's Discussion and Analysis
March 31, 2005

Capital Asset and Debt Administration

Capital Assets

At March 31, 2005, the Township had a \$752,337 investment in a broad range of capital assets, including land, land improvements, buildings and improvements, vehicles, and furniture and equipment. (More detailed information about capital assets can be found in the notes to basic financial statements.)

Capital asset purchases totaled \$68,924 for the fiscal year with accumulated depreciation increasing \$26,588. The net book value of capital assets at March 31, 2005 is detailed as follows:

	<u>Governmental Activities</u>
Land	\$ 100,301
Land improvements	3,500
Buildings and improvements	29,414
Furniture and equipment	94,590
Vehicles	<u>220,733</u>
Net Capital Assets	<u>\$ 448,538</u>

Long-Term Debt

The Township had no outstanding long-term debt at either March 31, 2004 or March 31, 2005.

Factors Bearing on the Township's Future

At the time these financial statements were prepared and audited, the Township was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The Township's initial General Fund budget for 2005-06 anticipates an increase in year end fund balance of \$104,672. This estimate reflects the receipt of a Federal FEMA grant, limited property tax growth within the Township, continuing reductions in state shared revenues and a continuing effort to control/reduce costs within the Township, while continuing to maintain a high quality of taxpayer service.

Contacting the Township's Financial Management

This financial report is designed to provide the Township's citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Ridout, Township Clerk, Solon Township, 28 East Muskegon, PO Box 275, Cedar Springs, MI, 49330-0275

BASIC FINANCIAL STATEMENTS

SOLON TOWNSHIP
Statement of Net Assets
March 31, 2005

	<u>Governmental Activities</u>
Assets	
Current Assets	
Deposits (Note B)	\$ 325,518
Investments (Note B)	211,165
Receivables:	
Taxes (Note C)	11,519
Accounts	28,780
Due from other governmental units	<u>49,460</u>
Total Current Assets	<u>626,442</u>
Noncurrent Assets	
Capital assets (Note E)	752,337
Less accumulated depreciation	<u>(303,799)</u>
Total Noncurrent Assets	<u>448,538</u>
Total Assets	<u>1,074,980</u>
Liabilities	
Current Liabilities	
Accounts payable	14,463
Payroll withholdings	5,171
Due to other governmental units	<u>39,891</u>
Total Liabilities	<u>59,525</u>
Net Assets	
Invested in capital assets	448,538
Unrestricted	<u>566,917</u>
Total Net Assets	<u><u>\$ 1,015,455</u></u>

See accompanying notes to basic financial statements.

SOLON TOWNSHIP
Statement of Activities
For the year ended March 31, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Capital Grants	
Governmental activities:				
General government	\$ 260,545	\$ 42,267	\$ -	\$ (218,278)
Public safety	245,796	101,045	-	(144,751)
Public works	11,051	-	53,980	42,929
Recreational and cultural	38,775	-	-	(38,775)
Other township	55,654	-	-	(55,654)
Total Governmental Activities	<u>611,821</u>	<u>143,312</u>	<u>53,980</u>	<u>(414,529)</u>
General revenues:				
Property taxes levied for:				
General operations				137,108
State revenue sharing				327,378
Interest earnings				10,949
Other				<u>3,213</u>
Total General Revenues				<u>478,648</u>
Change in Net Assets				64,119
Net Assets - Beginning of Year				<u>951,336</u>
Net Assets - End of Year				<u><u>\$ 1,015,455</u></u>

See accompanying notes to basic financial statements.

SOLON TOWNSHIP
Balance Sheet
Governmental Funds
March 31, 2005

	General	Special Revenue Fire	Total
Assets			
Deposits (Note B)	\$ 285,630	\$ 39,888	\$ 325,518
Investments (Note B)	211,165	-	211,165
Taxes receivable (Note C)	11,519	-	11,519
Due from other funds (Note D)	28,780	-	28,780
Due from other governmental units	49,460	-	49,460
Total Assets	<u>\$ 586,554</u>	<u>\$ 39,888</u>	<u>\$ 626,442</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 11,879	\$ -	\$ 11,879
Due to other funds (Note D)	2,584	-	2,584
Due to other governmental units	39,891	-	39,891
Payroll withholdings	5,171	-	5,171
Total Liabilities	<u>59,525</u>	<u>-</u>	<u>59,525</u>
Fund Balances			
Unreserved:			
Undesignated, reported in:			
General fund	527,029	-	527,029
Special revenue fund	-	39,888	39,888
Total Fund Balances	<u>527,029</u>	<u>39,888</u>	<u>566,917</u>
Total Liabilities and Fund Balances	<u>\$ 586,554</u>	<u>\$ 39,888</u>	<u>\$ 626,442</u>

See accompanying notes to basic financial statements.

SOLON TOWNSHIP
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
March 31, 2005

Total governmental fund balances	\$ 566,917
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$752,377 and accumulated depreciation is \$303,799.

448,538

Total net assets - governmental activities

<u>\$ 1,015,455</u>

See accompanying notes to basic financial statements.

SOLON TOWNSHIP
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended March 31, 2005

	General	Special Revenue Fire	Total
Revenues			
Taxes	\$ 137,108	\$	\$ 137,108
Licenses and permits	101,045	-	101,045
Federal sources	53,980	-	53,980
State sources	327,378	-	327,378
Intergovernmental sources	27,694	-	27,694
Charges for services	14,573	-	14,573
Interest and rentals	10,430	519	10,949
Other revenue	3,213	-	3,213
Total Revenues	<u>675,421</u>	<u>519</u>	<u>675,940</u>
Expenditures			
Current:			
Legislative	7,556	-	7,556
General government	259,936	-	259,936
Public safety	281,185	-	281,185
Public works	11,051	-	11,051
Recreational and cultural	38,775	-	38,775
Other township	55,654	-	55,654
Total Expenditures	<u>654,157</u>	<u>-</u>	<u>654,157</u>
Excess of Revenues Over Expenditures	<u>21,264</u>	<u>519</u>	<u>21,783</u>
Other Financing Sources (Uses)			
Transfers in	-	5,000	5,000
Transfers out	(5,000)	-	(5,000)
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>5,000</u>	<u>-</u>
Net Change in Fund Balances	16,264	5,519	21,783
Fund Balances, April 1	<u>510,765</u>	<u>34,369</u>	<u>545,134</u>
Fund Balances, March 31	<u><u>\$ 527,029</u></u>	<u><u>\$ 39,888</u></u>	<u><u>\$ 566,917</u></u>

See accompanying notes to basic financial statements.

SOLON TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended March 31, 2005

Net change in fund balances - total governmental funds \$ 21,783

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of these assets is capitalized
and the cost is allocated over their estimated useful lives as depreciation
expense. This is the amount by which capital outlays exceeded
depreciation in the current period:

	Capital outlays	\$ 68,924	
	Depreciation expense	(26,588)	42,336
Total changes in net assets - governmental activities		\$	64,119

See accompanying notes to basic financial statements.

SOLON TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2005

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 128,500	\$ 128,500	\$ 137,108	\$ 8,608
Licenses and permits	87,550	87,550	101,045	13,495
Federal sources	1,317	1,317	53,980	52,663
State sources	322,000	322,000	327,378	5,378
Intergovernmental sources	27,000	27,000	27,694	694
Charges for services	23,900	23,900	14,573	(9,327)
Interest and rentals	5,500	5,500	10,430	4,930
Other revenue	1,700	1,700	3,213	1,513
Total Revenues	<u>597,467</u>	<u>597,467</u>	<u>675,421</u>	<u>77,954</u>
Expenditures				
Current:				
General government:				
Township board	7,700	7,700	7,556	144
Supervisor	19,600	19,600	14,357	5,243
Elections	7,600	7,600	7,826	(226)
Assessor	29,350	29,350	26,370	2,980
Legal and audit	40,000	40,000	51,620	(11,620)
Clerk	29,300	29,300	40,248	(10,948)
Board of review	1,400	1,400	1,530	(130)
General administration	62,200	62,200	50,939	11,261
Treasurer	31,000	31,000	38,201	(7,201)
Buildings and grounds	24,100	24,100	17,768	6,332
Cemetery	14,800	14,800	11,077	3,723
Total general government	<u>267,050</u>	<u>267,050</u>	<u>267,492</u>	<u>(442)</u>
Public safety:				
Fire	98,717	98,717	152,173	(53,456)
Inspections	76,400	76,400	78,648	(2,248)
Planning	7,700	7,700	18,974	(11,274)
Zoning	61,900	61,900	31,390	30,510
Total public safety	<u>244,717</u>	<u>244,717</u>	<u>281,185</u>	<u>(36,468)</u>
Public works:				
Highways, streets and bridges	30,800	30,800	10,558	20,242
Street lighting	600	600	493	107
Total public works	<u>31,400</u>	<u>31,400</u>	<u>11,051</u>	<u>20,349</u>
Recreational and cultural:				
Parks and recreation	3,000	3,000	3,000	-
Library	34,000	34,000	35,775	(1,775)
Total recreational and cultural	<u>37,000</u>	<u>37,000</u>	<u>38,775</u>	<u>(1,775)</u>
Other township	<u>69,500</u>	<u>69,500</u>	<u>55,654</u>	<u>13,846</u>
Total Expenditures	<u>649,667</u>	<u>649,667</u>	<u>654,157</u>	<u>(4,490)</u>

(Continued)

SOLON TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2005

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Excess (Deficiency) of Revenues Over Expenditures	<u>(52,200)</u>	<u>(52,200)</u>	<u>21,264</u>	<u>73,464</u>
Other Financing Sources (Uses)				
Transfers out	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>(52,200)</u>	<u>(57,200)</u>	<u>16,264</u>	<u>73,464</u>
Fund Balances, April 1	<u>510,765</u>	<u>510,765</u>	<u>510,765</u>	<u>-</u>
Fund Balances, March 31	<u><u>\$ 458,565</u></u>	<u><u>\$ 453,565</u></u>	<u><u>\$ 527,029</u></u>	<u><u>\$ 73,464</u></u>

See accompanying notes to basic financial statements.

SOLON TOWNSHIP
Fire Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2005

	Budget	Actual	Variance- Positive (Negative)
Revenues			
Interest and rentals	\$ 500	\$ 519	\$ 19
Expenditures	-	-	-
Excess of Revenues Over Expenditures	500	519	19
Other Financing Sources			
Transfers in	5,000	5,000	-
Net Change in Fund Balances	5,500	5,519	19
Fund Balances, April 1	34,369	34,369	-
Fund Balances, March 31	<u>\$ 39,869</u>	<u>\$ 39,888</u>	<u>\$ 19</u>

See accompanying notes to basic financial statements.

SOLON TOWNSHIP
Fiduciary Funds
Statement of Fiduciary Net Assets
March 31, 2005

	Agency Funds
	<hr/>
Assets	
Cash equivalents (Note B)	\$ 26,472
Deposits (Note B)	27,846
Investments (Note B)	9,444
Accounts receivable	5,663
Due from other funds (Note D)	2,584
	<hr/>
Total Assets	\$ 72,009
	<hr/>
Liabilities	
Due to other funds (Note D)	\$ 28,780
Due to other governmental units	4,932
Escrow deposits	38,297
	<hr/>
Total Liabilities	\$ 72,009
	<hr/>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

SOLON TOWNSHIP
Notes to Basic Financial Statements
March 31, 2005

Note A – Summary of Significant Accounting Policies

Solon Township was organized as a general law township under applicable laws of the State of Michigan and is governed by a Board of Trustees which consists of a Supervisor, Clerk, Treasurer and two Trustees, each of whom is elected for a four year term of office. The Township provides the following services to its residents as provided by statute: public safety (fire and inspections), highways and streets, cultural, planning and zoning, general administrative and other services.

The financial statements of Solon Township (the “Township”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to Townships. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In the fiscal year ended March 31, 2005, the Township adopted GASB Statement No. 34, “*Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments.*” GASB Statement No. 34 requires new basic financial statements for reporting on the Township’s financial activities. The effect of this change was to include a management’s discussion and analysis (MD&A) section providing an analysis of the Township’s overall financial position and results of operation; include government-wide financial statements prepared on the full accrual basis of accounting; and include fund financial statements which present information with a focus on major funds, rather than on fund type.

The more significant of the Township’s accounting policies are described below.

1. The Reporting Entity

The accompanying financial statements present the Township of Solon. The Township has no component units, i.e., entities for which the Township is considered to be financially accountable.

2. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the Township as a whole. The reported information includes all of the nonfiduciary activities of the Township. The Township does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the Township. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The Township does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The Township’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

SOLON TOWNSHIP
Notes to Basic Financial Statements
March 31, 2005

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, state revenue sharing, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

The Township reports the following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund.

The *Fire Special Revenue Fund* accounts for property tax revenues levied to maintain the operations and capital improvements of the Township Fire Department.

Additionally, the Township reports the following non-major fund types:

The *Trust Account Agency Fund* accounts for the collection of escrow deposits and the payment to the governmental units or other persons entitled to receive these funds.

The *Tax Account Agency Fund* accounts for the collection of current and delinquent property taxes and the payment to the governmental units or other persons entitled to receive these funds.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the government-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Taxes, intergovernmental revenues and interest associated with current period are all considered to susceptible to accrual and have been recognized as revenues of the current fiscal period. Property taxes levied for the subsequent fiscal year are presented as deferred revenue at fiscal year end.

SOLON TOWNSHIP
Notes to Basic Financial Statements
March 31, 2005

Expenditures are recorded when the liability is incurred, as under accrual accounting, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt and claims and judgments are recorded only when the payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The General and Special Revenue Funds are subject to legal budgetary accounting controls and are budgeted annually. The Township utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- The budgets are generated with input from the Supervisor, Clerk, Treasurer and the Township Trustees.
- The completed budgets are then presented to Township electors at a public budget hearing in March, at which time taxpayer comments and recommendations are heard. These operating budgets include proposed expenditures and the means of financing them for the General and Special Revenue Funds.
- Prior to April 1, the budgets are legally enacted on a departmental (activity) basis through passage of an appropriations resolution.
- The budget may only be amended by action of the Township Board.
- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- Budget appropriations lapse at fiscal year-end.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act). The budget to actual revenues and expenditures in the financial statements represent the final budget as amended by the Township.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level for each individual fund.

5. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

SOLON TOWNSHIP
Notes to Basic Financial Statements
March 31, 2005

6. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, vehicles and furniture and equipment, are reported in the government-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$2,500 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and improvements, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	15-30 years
Buildings and improvements	25-60 years
Vehicles	5-20 years
Furniture and equipment	5-20 years

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

8. Retirement Plans

The Township maintains two defined contribution retirement plans covering substantially all employees. Elected officials are covered under one plan, to which the Township contributes 15% of covered salaries. Current year contributions to this plan totaled \$9,265. Township appointed officials and employees, including volunteer firemen, are included under a second plan, to which the Township contributes 5% of covered salaries and the employees also contribute 5%. Current year contributions to this plan totaled \$14,605. There is no past service cost associated with either retirement plan.

9. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

SOLON TOWNSHIP
Notes to Basic Financial Statements
March 31, 2005

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

11. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as transfers in or out. Transfers between governmental funds are eliminated in the Statement of Activities. Transfers in the fund financial statements are reported as other financing sources/uses.

12. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- In commercial paper rated at the time of purchase within the 3 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
- In United States government or federal obligations repurchase agreements.
- In bankers' acceptances of United States banks.
- In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.
- In surplus funds investment pools.

Depositories actively used by the Township Treasurer during the year are detailed as follows:

1. Bank One
2. Choice One Bank

SOLON TOWNSHIP
Notes to Basic Financial Statements
March 31, 2005

Balances at March 31, 2005 related to cash equivalents, deposits and investments are detailed on the combined balance sheet as follows:

Cash equivalents	\$ 26,472
Deposits	353,364
Investments	<u>220,609</u>
	<u><u>\$ 600,445</u></u>

Cash Equivalents and Deposits

Cash equivalents consist of cash on hand and bank checking accounts. Deposits consist of bank interest earning savings and money market accounts.

Cash equivalents and deposits at March 31, 2005, as shown by carrying amount and bank balance, and classified by categories of credit risk, are itemized as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured – FDIC	\$ 157,010	\$ 157,010
Uninsured:		
Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging bank or its trust department or agent but not in the Township's name.)	<u>222,826</u>	<u>222,826</u>
	<u><u>\$ 379,836</u></u>	<u><u>\$ 379,836</u></u>

Investments

The Bank One Governmental STIF Accounts consist of monies advanced for investment with accounts established in the Township's name within the pool. Interest earnings from the subsequent reinvestment of the pooled funds are credited to the Township on a pro-rata basis in relation to its percentage of deposits in the pool. These investments, with fair market value which approximates cost, are not categorized because participation in such funds does not result in direct ownership of individual securities, but rather shares. However, the investment in the pool is classified as Risk Level 1 because these investments are held by the Fund or its agent in the name of the Fund. Balances at March 31, 2005 are as follows:

Uninsured/Uncategorized:	<u>Carrying Amount</u>	<u>Bank Balance</u>
Bank One:		
Governmental Investment Account	<u>\$ 220,609</u>	<u>\$ 368,044</u>

Note C – General Property Taxes

Property taxes for the Township and County become due and payable on December 1 of each year. School district taxes are payable July 1 and December 1 of each year, under a split-levy system, pursuant to the Michigan School Code of 1976. All taxes are returned delinquent March 1 of the following year.

SOLON TOWNSHIP
Notes to Basic Financial Statements
March 31, 2005

Property tax revenues are recognized by the Township in the General and Special Revenue Funds in the fiscal year levied, to the extent they are measurable and available. The 2004 property tax roll levied December 1, 2004, represents revenue for the fiscal year ended March 31, 2005.

The Township bills and collects its own taxes in addition to taxes for the State of Michigan, Kent County, Grand Rapids and Montcalm Community Colleges, Kent, Montcalm and Newaygo Intermediate School Districts, Cedar Springs Public Schools, Grant Public Schools, Kent City Community Schools and Tri-County Area Schools. The collection and remittance of taxes are accounted for in the Tax Account Agency Fund.

The Township is permitted by statute (Act 359, Public Acts of 1947, as amended by Public Acts of 1976) to levy up to 1.1 mill of general property taxes on the taxable valuation in the Township. Due to effect of the Headlee Amendment, actual tax levies were reduced to 0.8472 mills for 2004-05 general operations.

The tax collection record of Township taxes for the past four years is shown in the following summary:

	2004	2003	2002	2001
Township taxes levied	\$ 100,526	\$ 92,618	\$ 87,550	\$ 80,170
Taxes collected:				
Current to March 1	90,864	83,906	79,172	72,014
Total to March 31, 2005	90,864	91,704	87,188	80,026
Percentages of collections:				
Current to March 1	90.38%	90.59%	90.43%	89.83%
Total to March 31, 2005	90.38%	99.01%	99.59%	99.82%

Taxable property in the Township is assessed initially by the assessing official of the Township. These valuations are then equalized by the County and finally by the State of Michigan. Michigan statutes provide that all ad valorem taxes be levied upon State Equalized Valuation. In accordance with Act 409, Public Acts of 1965 and Article IX, Section 3 of the Michigan Constitution, State Equalized Valuation represents 50% of true cash value. The valuations of taxable property in the Township for prior years are compared with 2005 valuations in the following summary:

Year	Real	Personal	Total
2005	\$ 121,763,466	\$ 6,339,000	\$ 128,102,466
2004	112,125,475	6,457,400	118,582,875
2003	102,418,289	6,918,300	109,336,589
2002	94,780,200	6,466,408	101,246,608
2001	85,394,851	5,791,871	91,186,722
2000	75,099,880	4,353,530	79,453,410
1999	74,013,939	5,151,200	79,165,139
1998	67,858,392	4,157,169	72,015,561
1997	61,377,234	3,925,246	65,302,480
1996	56,473,929	4,211,871	60,685,800

SOLON TOWNSHIP
Notes to Basic Financial Statements
March 31, 2005

Note D – Interfund Receivables/Payables and Transfers

Amounts due from (to) other funds representing interfund receivable and payable balances at March 31, 2005, consisting of reimbursable legal fees and interest earnings, are detailed as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Agency Funds	\$ 28,780	\$ 2,584
Trust Account Agency Fund:		
General Fund	2,584	24,268
Tax Account Agency Fund:		
General Fund	—	4,512
	<u>\$ 31,364</u>	<u>\$ 31,364</u>

Transfers between funds during the year ended March 31, 2005 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Special Revenue Fund:		
Fire Fund	\$ —	\$ 5,000
Special Revenue Fund		
Fire Fund:		
General Fund	5,000	—
	<u>\$ 5,000</u>	<u>\$ 5,000</u>

The General Fund transfer to the Fire Fund was made to set aside funds to purchase new equipment in the future.

SOLON TOWNSHIP
Notes to Basic Financial Statements
March 31, 2005

Note E – Capital Assets

Capital asset activity for the year ended March 31, 2005 was as follows:

	<u>Balances</u> <u>April 1, 2004</u>	<u>Additions</u>	<u>Sales/ Retirements</u>	<u>Balances</u> <u>March 31, 2005</u>
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 100,301	\$ —	\$ —	\$ 100,301
Capital assets being depreciated:				
Land improvements	5,000	—	—	5,000
Buildings and improvements	132,800	—	—	132,800
Furniture and equipment	63,572	68,924	—	132,496
Vehicles	381,740	—	—	381,740
Totals at historical cost	<u>683,413</u>	<u>\$ 68,924</u>	<u>\$ —</u>	<u>752,337</u>
Less accumulated depreciation for:				
Land improvements	\$ 1,250	\$ 250	\$ —	\$ 1,500
Buildings and improvements	101,035	2,350	—	103,385
Furniture and equipment	32,288	5,618	—	37,906
Vehicles	142,638	18,370	—	161,008
Total accumulated depreciation	<u>277,211</u>	<u>\$ 26,588</u>	<u>\$ —</u>	<u>303,799</u>
Net Capital Assets –				
Governmental Activities	<u>\$ 406,202</u>			<u>\$ 448,538</u>

Depreciation expense was charged to Township activities as follows:

General government	\$ 4,109
Public safety	22,479
	<u>\$ 26,588</u>

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

SOLON TOWNSHIP
General Fund
Comparative Balance Sheet
March 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets		
Deposits	\$ 285,630	\$ 281,460
Investments	211,165	192,580
Taxes receivable	11,519	16,301
Due from other funds	28,780	25,457
Due from other governmental units	<u>49,460</u>	<u>43,199</u>
Total Assets	<u><u>\$ 586,554</u></u>	<u><u>\$ 558,997</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 11,879	\$ 17,509
Due to other funds	2,584	-
Due to other governmental units	39,891	35,594
Payroll withholdings	<u>5,171</u>	<u>3,410</u>
Total Liabilities	<u>59,525</u>	<u>56,513</u>
Fund Balances		
Unreserved:		
Undesignated	<u>527,029</u>	<u>502,484</u>
Total Liabilities and Fund Balances	<u><u>\$ 586,554</u></u>	<u><u>\$ 558,997</u></u>

OLON TOWNSHIP
General Fund
Comparative Schedule of Revenues
For the years ended March 31, 2005 and 2004

	2005	2004
Taxes:		
Current property taxes	\$ 100,249	\$ 91,714
Delinquent property taxes	13	161
Trailer fees	2,071	2,071
Penalties and interest on taxes	115	705
Tax administration fees	34,660	30,088
	<u>137,108</u>	<u>124,739</u>
Licenses and permits:		
Cable television fees	12,118	11,885
Contractor registration fees	2,205	1,425
Building permits	35,323	32,469
Electrical permits	22,904	19,442
Mechanical permits	14,114	11,278
Plumbing permits	14,218	14,543
Dog licenses	163	102
	<u>101,045</u>	<u>91,144</u>
Federal sources:		
FEMA grant	53,980	-
State sources:		
Sales taxes	327,378	327,483
Intergovernmental sources:		
Act 425 reimbursement	27,694	26,279
Charges for services:		
Zoning and appeals fees	5,675	6,190
Summer tax collection fees	-	9,070
Grave openings	5,450	4,900
Footings	48	-
Land division fees	1,100	1,100
Sale of cemetery lots	1,800	750
Sale of printed materials	500	253
	<u>14,573</u>	<u>22,263</u>
Interest and rentals:		
Interest on deposits and investments	9,230	4,802
Rentals	1,200	1,920
	<u>10,430</u>	<u>6,722</u>
Other revenue:		
Donations	-	1,600
Road improvement reimbursements	1,776	13,415
Refunds of expenditures	898	2,880
Miscellaneous	539	272
	<u>3,213</u>	<u>18,167</u>
Total Revenues	<u><u>\$ 675,421</u></u>	<u><u>\$ 616,797</u></u>

SOLON TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Current:		
General government:		
Township board:		
Salaries	\$ 6,144	\$ 6,437
Travel and expenses	1,412	945
	<u>7,556</u>	<u>7,382</u>
Supervisor:		
Salary	13,617	18,208
Travel and expenses	740	50
Dues and memberships	-	25
	<u>14,357</u>	<u>18,283</u>
Elections:		
Salaries	4,472	2,240
Office supplies	3,129	1,088
Travel and expenses	225	-
	<u>7,826</u>	<u>3,328</u>
Assessor:		
Salaries		
Assessor	22,043	21,125
Deputy	659	-
Office supplies	1,534	832
Travel and expenses	496	629
Education	-	95
Printing and publishing	1,388	780
Dues and memberships	250	169
	<u>26,370</u>	<u>23,630</u>
Legal and audit:		
Legal fees	29,732	33,603
Audit fees	21,888	21,448
	<u>51,620</u>	<u>55,051</u>
Clerk:		
Salaries:		
Clerk	23,064	18,208
Deputy	11,975	5,114
Office supplies	2,146	615
Travel and expenses	1,838	258
Printing and publishing	965	318
Dues and memberships	195	15
Miscellaneous	65	-
	<u>40,248</u>	<u>24,528</u>
Board of review:		
Salaries	1,300	30
Printing and publishing	186	328
Miscellaneous	44	-
	<u>1,530</u>	<u>358</u>
General administration:		
Clerical salaries	14,326	11,918
Employee health insurance	1,966	-
Office supplies	11,223	6,342

(Continued)

SOLON TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2005 and 2004

	2005	2004
General administration: (Continued)		
Professional fees	\$ 342	\$ 2,611
Travel and expenses	794	1,134
Education	4,428	3,578
Printing and publishing	1,736	2,597
Dues and memberships	2,323	2,234
Miscellaneous	304	19
Tax refunds	83	-
Furniture and equipment	13,414	17,539
	<u>50,939</u>	<u>47,972</u>
Treasurer:		
Salaries:		
Treasurer	18,947	18,208
Deputy	8,607	7,115
Office supplies	1,410	1,088
Property tax administration system	7,874	13,212
Travel and expenses	1,212	576
Dues and memberships	135	85
Miscellaneous	16	-
	<u>38,201</u>	<u>40,284</u>
Buildings and grounds:		
Custodial and maintenance salaries	1,535	2,023
Contracted services	2,350	4,661
Travel and expenses	78	-
Utilities	10,682	11,478
Repair and maintenance	3,123	8,870
	<u>17,768</u>	<u>27,032</u>
Cemetery:		
Cemetery board salaries	450	350
Footings	48	-
Grave openings	5,450	5,200
Utilities	413	463
Repair and maintenance	686	1,680
Grounds maintenance	4,000	8,284
Miscellaneous	30	180
	<u>11,077</u>	<u>16,157</u>
Total general government	<u>267,492</u>	<u>264,005</u>
Public safety:		
Fire department:		
Salaries:		
Fire chief	13,128	12,188
Firefighters	24,344	27,838
Committee	3,740	-
Office supplies and expenses	2,236	1,434
Operating supplies	9,698	4,735
Gasoline and oil	1,886	1,743
Medical supplies	1,155	327
Physicals	4,635	281

(Continued)

SOLON TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2005 and 2004

	2005	2004
Fire department: (Continued)		
Uniforms and gear	\$ 66,949	\$ 5,909
Travel and expenses	1,742	497
Education	990	1,309
Training	-	1,000
Printing and publishing	444	432
Insurance and bonds	3,191	3,191
Utilities	4,971	5,141
Building maintenance	1,106	517
Equipment maintenance	1,864	-
Vehicle maintenance	3,916	3,848
County fire assessment	5,158	12,614
Dues and memberships	557	668
Miscellaneous	463	964
Furniture and equipment	-	353
	<u>152,173</u>	<u>84,989</u>
Inspections:		
Salaries:		
Building inspector	25,483	28,426
Mechanical inspector	20,169	16,918
Electrical inspector	11,396	8,564
Plumbing inspector	8,822	5,439
Permit administration	6,471	1,841
Clerical	3,967	5,595
Office supplies	749	112
Contractor registration	640	-
Travel and expenses	452	756
Education	285	652
Utilities	39	568
Dues and memberships	175	595
Miscellaneous	-	25
	<u>78,648</u>	<u>69,491</u>
Planning:		
Planning commission	5,400	5,700
Professional fees	13,389	12,821
Education	185	-
	<u>18,974</u>	<u>18,521</u>
Zoning:		
Salaries:		
Zoning administrator	12,800	12,267
Zoning board of appeals	1,610	660
Professional fees	1,961	-
Legal fees	14,122	11,719
Travel and expenses	73	72
Education	130	-
Printing and publishing	694	1,046
Miscellaneous	-	924
	<u>31,390</u>	<u>26,688</u>
Total public safety	<u>281,185</u>	<u>199,689</u>

(Continued)

SOLON TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Public works:		
Drains:		
Drain maintenance	\$ -	\$ 508
Highways, streets and bridges:		
Road maintenance	2,569	11,508
Dust layer	7,989	8,522
	<u>10,558</u>	<u>20,030</u>
Street lighting:		
Utilities	493	533
Total public works	<u>11,051</u>	<u>21,071</u>
Recreational and cultural:		
Parks and recreation:		
Cedar Springs Recreation Department	3,000	3,000
Library:		
Cedar Springs Library	35,775	33,004
Total recreational and cultural	<u>38,775</u>	<u>36,004</u>
Other township:		
Social Security taxes	11,124	8,912
Unemployment	-	447
Pension plan contributions	16,666	20,148
Clean-up week	8,492	7,623
Insurance and bonds	17,311	16,537
Miscellaneous	2,061	-
Total other township	<u>55,654</u>	<u>53,667</u>
Total Expenditures	<u><u>\$ 654,157</u></u>	<u><u>\$ 574,436</u></u>

SPECIAL REVENUE FUND

Fire —to accumulate General Fund contributions and interest earnings to be used for the purchase of Township Fire Department vehicles and equipment.

**SOLON TOWNSHIP
Fire Special Revenue Fund
Comparative Balance Sheet
March 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Assets		
Deposits	<u>\$ 39,888</u>	<u>\$ 34,369</u>
Liabilities and Fund Balances		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund Balances		
Unreserved:		
Undesignated	<u>39,888</u>	<u>34,369</u>
Total Liabilities and Fund Balance	<u>\$ 39,888</u>	<u>\$ 34,369</u>

SOLON TOWNSHIP
Fire Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended March 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Interest and rentals:		
Interest on deposits	\$ 519	\$ 365
Expenditures	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>519</u>	<u>365</u>
Other Financing Sources		
Transfers in	<u>5,000</u>	<u>5,000</u>
Net Change in Fund Balances	5,519	5,365
Fund Balances, April 1	<u>34,369</u>	<u>29,004</u>
Fund Balances, March 31	<u><u>\$ 39,888</u></u>	<u><u>\$ 34,369</u></u>

AGENCY FUNDS

Trust Account — to account for the collection and safekeeping of escrow deposits and payment to the persons entitled to receive these monies.

Tax Account — to account for the collection of current and delinquent property taxes and dog licenses and payment to the governmental units, funds or other persons entitled to receive these funds.

SOLON TOWNSHIP
Agency Funds
Combining Balance Sheet
March 31, 2005
With comparative totals for March 31, 2004

	Trust Account	Tax Account	Totals	
			2005	2004
Assets				
Cash equivalents	\$ 26,472	\$ -	\$ 26,472	\$ 28,730
Deposits	27,846	-	27,846	27,012
Investments	-	9,444	9,444	389
Accounts receivable	5,663	-	5,663	5,250
Due from other funds	2,584	-	2,584	-
Total Assets	<u>\$ 62,565</u>	<u>\$ 9,444</u>	<u>\$ 72,009</u>	<u>\$ 61,381</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,820
Escrow deposits	38,297	-	38,297	33,814
Due to other funds	24,268	4,512	28,780	25,457
Due to other governmental units	-	4,932	4,932	290
Total Liabilities	<u>62,565</u>	<u>9,444</u>	<u>72,009</u>	<u>61,381</u>
Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 62,565</u>	<u>\$ 9,444</u>	<u>\$ 72,009</u>	<u>\$ 61,381</u>

SOLON TOWNSHIP
All Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the year ended March 31, 2005

	Balances April 1, 2004	Additions	Deductions	Balances March 31, 2005
<u>Trust Account Fund</u>				
Assets				
Cash equivalents	\$ 28,730	\$ 34,466	\$ 36,724	\$ 26,472
Deposits	27,012	834	-	27,846
Accounts receivable	2,340	5,663	2,340	5,663
Due from other funds	-	2,584	-	2,584
Total Assets	\$ 58,082	\$ 43,547	\$ 39,064	\$ 62,565
Liabilities				
Escrow deposits	\$ 33,814	\$ 41,207	\$ 36,724	\$ 38,297
Due to other funds	24,268	-	-	24,268
Total Liabilities	\$ 58,082	\$ 41,207	\$ 36,724	\$ 62,565
<u>Tax Account Fund</u>				
Assets				
Investments	\$ 389	\$ 3,311,427	\$ 3,302,372	\$ 9,444
Accounts receivable	2,910	-	2,910	-
Total Assets	\$ 3,299	\$ 3,311,427	\$ 3,305,282	\$ 9,444
Liabilities				
Accounts payable	\$ 1,820	\$ 30,772	\$ 28,952	\$ -
Due to other funds	1,189	143,112	139,789	4,512
Due to other governmental units	290	3,134,633	3,133,631	4,932
Total Liabilities	\$ 3,299	\$ 3,308,517	\$ 3,302,372	\$ 9,444
<u>Totals - All Agency Funds</u>				
Assets				
Cash equivalents	\$ 28,730	\$ 34,466	\$ 36,724	\$ 26,472
Deposits	27,012	2,584	-	27,846
Investments	389	3,311,427	3,302,372	9,444
Accounts receivable	5,250	-	2,910	5,663
Due from other funds	-	2,584	-	2,584
Total Assets	\$ 61,381	\$ 3,351,061	\$ 3,342,006	\$ 72,009
Liabilities				
Accounts payable	\$ 1,820	\$ 30,772	\$ 28,952	\$ -
Escrow deposits	33,814	41,207	36,724	38,297
Due to other funds	25,457	143,112	139,789	28,780
Due to other governmental units	290	3,134,633	3,133,631	4,932
Total Liabilities	\$ 61,381	\$ 3,349,724	\$ 3,339,096	\$ 72,009

OTHER INFORMATION

SOLON TOWNSHIP
Summary of 2004 Taxes Levied and Collected
For the year ended March 31, 2005

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections</u>
<u>Ad Valorem Taxes</u>					
Kent County					
Operating	\$118,582,785	5.31400	\$ 630,616	\$ 60,615	\$ 570,001
Drains	406,702		228	-	228
Total Kent County			630,844	60,615	570,229
State Education Tax		6.00000			
Cedar Springs Public Schools	95,266,812		572,134	36,967	535,167
Grant Public Schools	65,016		390	-	390
Kent City Community Schools	22,537,220		135,222	12,755	122,467
Tri-County Area Schools	713,827		4,283	-	4,283
Total State Education Tax			712,029	49,722	662,307
School Districts					
Kent Intermediate School District	117,804,032	4.53320	534,437	37,567	496,870
Montcalm Intermediate School District	713,827	2.38220	1,700	-	1,700
Newaygo Intermediate School District	65,016	5.73060	373	-	373
Grand Rapids Community College	117,804,032	1.78650	210,606	14,804	195,802
Montcalm Community College	713,827	2.74860	1,962	-	1,962
Cedar Springs Public Schools:					
Other	95,266,812	7.00000	667,490	43,128	624,362
Operating	20,879,827	18.00000	377,385	37,737	339,648
Grant Public Schools:					
Other	65,016	7.46000	485	-	485
Operating	-	18.00000	-	-	-
Kent City Community Schools:					
Other	22,537,220	9.25000	208,464	21,785	186,679
Operating	3,481,722	18.00000	62,670	8,368	54,302
Tri-County Area Schools:					
Other	713,827	4.69330	3,350	-	3,350
Operating	24,114	17.13920	413	-	413
Total School Districts			2,069,335	163,389	1,905,946
Solon Township					
Operating	118,582,785	0.84720	100,526	9,662	90,864
Tax administration fees			30,025	2,827	27,198
Total Solon Township			130,551	12,489	118,062
Total Ad Valorem Taxes			<u>\$3,542,759</u>	<u>\$286,215</u>	<u>\$3,256,544</u>

(Continued)

SOLON TOWNSHIP
Summary of 2004 Taxes Levied and Collected
For the year ended March 31, 2005

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections</u>
<u>Commercial Forest Taxes</u>					
Kent County	\$ 600	2.65700	\$ 16	\$ -	\$ 16
State Education Tax:					
Kent City Community Schools		3.00000	18	-	18
Kent Intermediate School District		2.26660	11	-	11
Grand Rapids Community College		0.89325	5	-	5
Kent City Community Schools:					
Other		4.62500	75	-	75
Solon Township		0.42360	8	-	8
			<u>133</u>	<u>-</u>	<u>133</u>
Total Commercial Forest Taxes			<u>\$ 133</u>	<u>\$ -</u>	<u>\$ 133</u>

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

June 23, 2005

The Township Board
Solon Township
Kent County, Michigan

The following comments pertain to our audit of the financial records of Solon Township as of and for the year ended March 31, 2005. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this Statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the Township's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Solon Township.

Auditors Responsibility Under Generally Accepted Auditing Standards

We conducted our audit in accordance with Generally Accepted Auditing Standards (GAAS). Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. We are required by GAAS to obtain a sufficient understanding of the internal control structure to plan the audit and to determine the nature, timing and extent of tests to be performed. The purpose of the audit was to report on the financial statements and not to provide assurance on the internal control structure. Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected.

Significant Accounting Policies

The elected officials and management of Solon Township have the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter will advise the Township elected officials and management about the appropriateness of accounting policies and their application. The significant accounting policies used by Solon Township are described in Note A of the Notes to Basic Financial Statements in the Comprehensive Annual Financial Report. As described in Note A, Solon Township changed accounting policies related to financial reporting by adopting GASB Statement No. 34, *Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments in fiscal year 2004-05*

Difficulties Encountered In Performing The Audit

We spent significant additional time during the year, independent of the audit function, educating and assisting Township officials and employees in completing their statutory accounting and record keeping functions. We continue to stress the importance of the timely balancing of the monthly bank reconciliations and accounting records of the Township Treasurer’s and Clerk’s offices. The audit field work and preparation of the Comprehensive Annual Financial Report also took additional time due to the expanded requirements of Governmental Standards Board Statement No. 34, mainly for the establishment of the Township initial capital asset and depreciation schedules.

Significant Audit Adjustments

During the course of our audit the following adjustments of a significant nature were made to the accounting records of the Township to bring the balances to those presented in the financial statements.

General Fund

1. \$16,301 and \$11,519 to reverse and accrue prior and current year taxes receivable.
2. \$10,581 to classify payroll tax withholdings and payments to the proper accounts.
3. \$17,509 and \$11,878 to reverse and accrue prior and current year end accounts payable.

4. \$43,199 and \$49,460 to reverse and accrue final state revenue sharing payments receivable at year end.
5. \$12,174 to classify November, 2004 inspection fees collection to the correct accounts.
6. \$27,666 to classify the Act 425 tax payment received to the correct account.
7. \$33,004 and \$35,775 to reverse and accrue prior and current year end amounts due for the annual Cedar Springs Library Assessment.
8. \$24,268 to adjust the amount due from the Escrow Fund to the correct balance at year end.
9. \$4,512 to adjust the amount due from the Tax Account to the correct balance at year end.

Fire Fund

1. \$5,000 to classify the General Fund transfer to the proper account.

Passed Audit Adjustments

There were no adjustments proposed during the audit that were not recorded by Solon Township.

Suggestions And Recommendations

We offered suggestions and recommendations of a minor nature regarding the day-to-day operations of the accounting system to the Township Clerk and Treasurer as the topics arose during the course of our audit field work. Hopefully, these suggestions will ease the day-to-day operations of the Township's business office and assist in more efficient monthly and year end financial record keeping and reporting.

* * * * *

This communication is intended solely for the information and use of the Township Board, officers, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Treasury as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Solon Township and hope to continue to do so in the future. We also appreciate the dedication and cooperation of Solon Township Clerk and Treasurer in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communication, we will be happy to address them.

Hungerford, Alden, Nichols & Carter, P.C.

Certified Public Accountants